



OFFICE OF GOVERNOR PAT QUINN

NEWS

FOR IMMEDIATE RELEASE:
Thursday, April 19, 2012

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Governor Quinn Announces Plan to Stabilize Illinois' Medicaid System

Proposal Saves Medicaid System for Millions

SPRINGFIELD – April 19, 2012. Governor Pat Quinn today announced a plan to stabilize Illinois' Medicaid system and prevent collapse of the program, one of his top priorities this session. The Governor's plan creates \$2.7 billion in Medicaid savings – which includes more than \$2 billion in Medicaid reductions and federal matching funds from additional revenues on tobacco products. Today's proposal follows weeks of productive talks led by the governor's office with a working group comprised of members from all four legislative caucuses, as well as meetings with numerous provider groups.

"We must act quickly to save the entire Medicaid system from collapse, and protect providers and the millions of Illinois residents that depend upon Medicaid for their healthcare," Governor Quinn said. "This proposal will fundamentally restructure our Medicaid system, alleviate the pressures on the rest of our budget, and ensure the program is sustainable for years to come."

Medicaid provides healthcare to 2.7 million people in Illinois and coverage for half of all births. In his February budget address, the Governor highlighted the urgent need for a \$2.7 billion reduction in the Medicaid program to prevent systemic collapse. At the end of the current fiscal year (FY 2013), Illinois will have \$1.9 billion in unpaid Medicaid bills. The Civic Federation projects \$21 billion in unpaid Medicaid bills by 2017 if Illinois' Medicaid system is not fundamentally and immediately restructured.

The Governor convened a working group – comprised of members from each of the four legislative caucuses – to explore all options and develop a framework to save our Medicaid system. The working group met with and incorporated suggestions from many provider groups, including: hospitals, podiatrists, durable and disposable medical equipment companies, long-term care providers, dentists, pharmacists, and hospice providers.

Governor Quinn's proposal reduces Illinois' Medicaid liability by \$2.7 billion, with three-quarters of the plan comprised of cuts, reductions and efficiencies, one-eighth in state revenue, and one-eighth in federal matching funds:

- Cuts, reductions and efficiencies to 58 separate items totaling \$1.35 billion (50 percent)
- Rate reduction to providers totaling \$675 million – (25 percent)
- Additional revenue through a \$1 per pack increase in the cigarette tax totaling \$337.5 million (12.5 percent)
- 100 percent federal match funding from the increased cigarette tax totaling \$337.5 million (12.5 percent)

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"The status quo is not an option, and I want to thank the members of the working group, who have worked diligently with us to find real solutions to this problem," Julie Hamos, Department of Healthcare and Family Services director, said. "What we are presenting today is a balanced approach that targets fraud and abuse, continues our move to coordinated care for Medicaid clients, and takes advantage of federal matching funds to make every dollar go further."

The cuts, reductions and efficiencies across 58 separate items in the Governor's proposal include:

- Program integrity to prevent client and provider fraud
- Elimination or reduced coverage of certain optional populations and services
- Controls on use of Medicaid services to prevent over-use or waste
- Adjustments to rates that are outdated or do not reflect budget realities
- Expanded cost-sharing by clients
- Redesigned healthcare delivery system through Coordinated Care
- Complete implementation of all reforms in 2011 Medicaid reform law

To access more funds from the federal government, the Governor's plan to limit Medicaid liability includes a tobacco revenue increase. By including a tobacco revenue increase, which amounts to just one-eighth (\$337.5 million per year) of the \$2.7B savings we must find in the Medicaid program, the state will be eligible for an additional 100 percent in federal matching funds (\$337.5 million per year).

In addition to the direct revenue, raising the cost of cigarettes by a dollar will improve the health of the people of Illinois, reducing tobacco-related Medicaid and health care costs over the long-term. According to the American Cancer Society, tobacco use cost Illinois \$1.5 billion in Medicaid spending last year. Increasing the cigarette tax by a dollar a pack will prevent more than 70,000 children from becoming addicted adult smokers, decrease youth smoking by 11 percent and save more than 38,000 Illinois residents from premature, smoking-caused death.

"The American Cancer Society is pleased to see the Governor combining smart fiscal and public health policy with this proposal," said Katherine L. Griem, M.D., President of the American Cancer Society, Illinois Division. "Smoking remains the leading cause of cancer and this proposal will not only reduce the burden on the state's Medicaid program for years to come, but more importantly, it will save lives and improve the health of people across Illinois, particularly in curtailing youth smoking."

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